

**UNIVERSE INTERNATIONAL HOLDINGS LTD:
THE TANGIBLE ASSET BACKING PER SHARE MUST BE IN EXCESS OF \$HK2**

One of the refreshing aspects of Universe International Holdings Ltd (Code: 1046) is that it is, what may be described as, a *'bread-and-butter'* company that does not rely on anything else but its ability to stick to its core business: The distribution and sub-licensing of films in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

In the Company's first Annual Report since becoming a publicly listed company, that event, having taken place on July 9, 1999, it appears that TARGET's initial opinion of the Company has been more than justified.

TARGET wrote, at the time of this Company's flotation, among other things:

'This has got to be among the cheapest of new issues, in terms of Price-Earnings Multiple ... The Company claims to be one of the leading distributors and publishers of home video entertainment programmes ... the Company is in no dire need of any extra cash for its continued operation ... it is a smallish Company, but quite strong, financially ... the Company is anticipating record earnings, equal to an increase of nearly 60 percent over the 1998 Year's earnings ... The Company has only been in existence since 1989 and, since that time, it appears to have gone from one plateau of strength to another ... On the basis of the fundamentals, this is a small but very attractive investment ...'

It is always nice to be proved correct, of course, but credit for the Company's success rests with Management, not TARGET, which is, after all, only an observer of events.

For the Financial Year, ended June 30, 2000, Universe International has turned in a 48.20 percent increase in the Bottom Line.

The Turnover of the Company rose nearly 41 percent during the Financial Year to a point that must have been a record: \$HK289.32 million.

And the future looks even brighter.

When Universe International first issued its Prospectus, few investors took much notice of the Company because it did not meet the criteria of the day: Being a hi-tech or Internet-investment type of outfit.

But the penny should, now, drop: Bread and butter are here to stay.

Analysing the Profit and Loss Account for the Financial Year, ended June 30, 2000, is instructive because it appears to indicate a well-run organisation:

	Financial Year ended June 30		
	2000 (\$HK'000)	Percentage Increase	1999 (\$HK'000)
Turnover	289,316	40.78	205,506
Cost of Sales	(190,097)	34.29	(141,556)
Gross Profit	99,219	55.15	63,950
Other Revenue *	2,117	71.69	1,233
Other Operating Income	3,842	64.19	2,340
Selling Expenses	(7,709)	96.41	(3,925)

Administrative Expenses	(24,184)	105.54	(11,766)
Other Operating Expenses	(2,799)	8.40	(2,582)
Operating Profit	70,486	43.12	49,250
Financing Costs	(2,767)	78.29	(1,552)
Profit before Taxation	67,719	41.97	47,698
Taxation	(6,656)	2.48	(6,495)
Profit Attributable to Shareholders	61,063	48.20	41,203

* Other Revenue relates to interest income derived from deposits with banks

The Gross Profit Margin for the 2000 Year was about 34.29 percent, compared with the Gross Profit Margin for the 1999 Year of about 31.12 percent.

The Gross Profit Margin is, probably, more important than the Net Profit Margin, in this case, because the only factors to be considered relate to the principal activities of Universe International and exclude one-off surpluses and income, derived from interest on funds that were placed with the Company's bankers, pending their usage as stated in the Company's Prospectus of July 1999.

Cash In Hand

Universe International is 'fat' with cash ... [CLICK TO ORDER FULL ARTICLE](#)

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